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ARIZONA CORPORATION COMMISSION

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August 31, 2009

Commissioner Gary Pierce
Commissioner Sandra Kennedy
Commissioner Paul Newman
Commissioner Bob Stump

Re: Proposed statewide town halls and workshops to discuss the "Utility of the Future," including the solicitation of public comment regarding the Commission's rulemakings on integrated resource planning, energy efficiency, Commission policies on Time of Use and potential future increases to the Renewable Energy Standard.

Dear Colleagues:

With each day, it becomes more evident that the utility of the future will be dramatically different than the utility of today. Even now, the Commission is considering a rulemaking to increase the amount of energy efficiency conducted by our state's utilities, another that would require Arizona electric utilities to file Integrated Resource Plans every two years, and is conducting workshops on renewable energy transmission – efforts that will result in policies that lead our utilities and our state toward a more efficient, more reliable, less expensive energy future. Arizona utility companies are competing for federal stimulus funds that would assist them in adopting smart grid technologies, including smart meters that will facilitate both wide-scale adoption of distributed residential and commercial solar energy, as well as plug-in electric cars that can help re-charge the state's electric grid. And Congress is in the midst of passing a national renewable energy standard, and a cap and trade program that is controversial, but that will likely require utilities to move more rapidly away from carbon-intensive energy generation.

Put simply, the utility of the future must be leaner and greener.

While these initiatives are being led by the Commission, and to a lesser degree, Congress, the Commission has never examined how all of these new technologies will fit together, in a way that benefits both Arizona consumers, and utilities. How many houses and businesses can be solarized by the Year 2025, and what policies will help us make that a reality? Should we adopt a feed-in tariff, expand our current Production Based Incentive, or adopt a community solar program to encourage every new housing developer to put solar on rooftops from day one? Should we increase the Renewable Energy Standard to further encourage the deployment of utility-scale renewable energy, drive down the percentage of more expensive carbon based electricity being used by Arizona utilities, and give Arizona a real shot at being the solar energy capital of the nation? How can other governmental entities and policies assist us in meeting the Renewable Energy Standard, including property tax abatements designed to encourage solarized

homes, or reductions in city permitting fees associated with installing solar? How will an energy efficiency standard be met, and what types of mechanisms, such as on-the-bill financing for consumers, help us do it? How will smart meters help us adopt aggressive time of use rates and deploy plug-in vehicle technologies that return electricity to the grid at peak times? Will nuclear energy – also a carbon-free technology – play a role in meeting Arizona's future energy needs?

Therefore, I would like to propose that the Commission launch a series of statewide town halls, followed by workshops at the Commission, designed to survey Arizonans about what they believe the electric and natural gas utility of the future should offer them, and to allow those same consumers the chance to sound off on the rulemakings that we currently have underway. Given the amount of interest in these topics, I would suggest that the Commission hold town halls in as many locations as possible, including, but not limited to: Flagstaff, Kingman, Prescott, Show Low, Payson, Phoenix, Yuma, Tucson and Sierra Vista. Further, I would envision that these town halls would include time for public comment as well as presentations on the utility of the future by Commission Staff, academic experts and utility officials.

As a preliminary agenda I would propose that the Commission consider:

- The combined effect of current and proposed energy efficiency and renewable energy programs.
- Future utility transmission and resource needs.
- The effect of smart meters on rate design, adoption of distributed renewable energy and coordination with other utility efforts.
- The possibility of increasing the Renewable Energy Standard, and the effect on energy requirements and rates.
- The possibility of adopting new Time of Use policies in Arizona, and the effect on energy requirements and rates.

I look forward to discussing this proposal with you at an upcoming Staff Meeting, and would welcome any suggestions you might have.

Sincerely,



Kris Mayes
Chairman

Cc: Ernest Johnson
Steve Olea
Janice Alward
Lyn Farmer
Rebecca Wilder